

ECR

Environmental Cost Recovery Surcharge

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

To all electric rate schedules.

RATE

The monthly billing amount under each of the schedules to which this mechanism is applicable, including the fuel clause, shall be increased or decreased by a percentage factor calculated in accordance with the following formula.

$$CESF = E(m) / R(m)$$

$$MESF = CESF - BESF$$

MESF = Monthly Environmental Surcharge Factor  
CESF = Current Environmental Surcharge Factor  
BESF = Base Environmental Surcharge Factor

Where E(m) is the jurisdictional total of each approved environmental compliance plan revenue requirement of environmental compliance costs for the current expense month and R(m) is the revenue for the current expense month as set forth below.

CANCELLED  
12-21-04

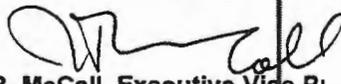
DEFINITIONS

- 1) For all Plans,  $E(m) = [(RB/12) (ROR + (ROR - DR) (TR / (1 - TR)))] + OE$ 
  - a) Where RB is the Total Environmental Compliance Rate Base.
  - b) Where ROR is the Rate of Return on Environmental Compliance Rate Base, designated as the overall all rate of return [cost of short term debt, long term debt, preferred stock, and common equity]
  - c) Where DR is the Debt Rate [cost of short term debt, and long term debt]
  - d) Where TR is the Composite Federal and State Income Tax Rate.
  - e) Where OE is the Operating Expenses [Depreciation and Amortization Expense, Property Taxes, Insurance Expense; adjusted for the Average Month Expense already included in existing rates]. Includes operation and maintenance expense recovery authorized by the K.P.S.C. in Case Nos. 2000-386, 2002-147, and 2004-00421.
- 2) Total E(m) (sum of each approved environmental compliance plan revenue requirement) is multiplied by the Jurisdictional Allocation Factor to arrive at Net Jurisdictional E(m).
- 3) The revenue R(m) is the average monthly revenue, including base revenues and automatic adjustment clause revenues less Environmental Cost Recovery Surcharge revenues, for the Company for the 12 months ending with the current expense month.
- 4) Current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

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Date of Issue: June 28, 2005  
Canceling Original Sheet No. 72  
Issued July 20, 2004

Issued By

  
John R. McCall, Executive Vice President  
General Counsel and Secretary  
Louisville, Kentucky

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
7/1/2005

PURSUANT TO 807 KAR 5.011  
Effective With Service Rendered  
SECTION 9 (1)  
On and After  
July 1, 2005

  
Executive Director

Issued By Authority of an Order of the KPSC in Case No. 2004-00421 dated June 20, 2005